

European Communities

EUROPEAN PARLIAMENT

Working Documents

1984-1985

March 1985

DOCUMENT 2-1765/84

Report

drawn up on behalf of the Committee on
External Economic Relations

on trade with Taiwan

Rapporteur: Mr J. van AERSSEN

By letter of 25 September 1984, the Committee on External Economic Relations requested authorization to draw up a report on trade with Taiwan.

At the sitting of 14 January 1985, the European Parliament authorized the committee to report on this subject.

On 21 November 1984, the Committee on External Economic Relations provisionally appointed Mr Van Aerssen rapporteur and confirmed this appointment on 23 January 1985.

At its meetings of 22 and 23 January 1985 and 20 and 21 February 1985, the Committee on External Economic Relations considered the draft report. It adopted the motion for a resolution as a whole on 21 February 1985 unanimously with one abstention.

The following took part in the vote: Dame Shelagh Roberts, chairman; Mr Hindley, vice-chairman; Mr Van Aerssen, rapporteur and vice-chairman; Mrs De Backer (deputizing for Mr Tzounis), Mr P. Beazley (deputizing for Mr Kilby), Mr Costanzo, Mr Hitzigrath, Mrs Lizin (deputizing for Mr Massari), Mr Moorhouse, Mr Motchane, Mr Mühlen, Mr Seeler, Mr Tomlinson (deputizing for Mr Ford), Mrs Van Rooy, Mrs Wiczorek-Zeul, Mr Zahorka and Mr Zarges.

The report was tabled on 26 February 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	6
I. Introduction	6
II. The economic development of Taiwan	6
III. Relations with the European Community	8
IV. Conclusions	9

The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

A

MOTION FOR A RESOLUTION

on trade with Taiwan

The European Parliament,

- having regard to the report of the Committee on External Economic Relations (Doc. 2-1765/84),

- A. having regard to the special economic and trade position of the island of Taiwan and to the Community's good relations with the People's Republic of China and to the fact that there is no diplomatic recognition by the Community and its Member States of Taiwan since the Community recognizes the People's Republic as the sole legal Government of China,
- B. pointing out Taiwan's important foreign trade relations with over 140 countries and its position amongst the 20 largest trading nations of the world, and considering also the growing economic and trade relations between the Community and the People's Republic of China,
 1. Believes that the Community cannot neglect the economic importance of Taiwan and should take full advantage of developing commercial and economic relations;
 2. Urges the Commission to improve the existing commercial and economic relations with Taiwan and therefore to ensure that Taiwan is informed of planned trade measures and is treated in a comparable manner to other Far Eastern trading partners where EEC exports and imports are concerned;
 3. Welcomes and has noted with satisfaction the fact that Taiwan has recently taken measures against the manufacture of and trade in imitation products and calls for the systematic implementation of these measures;
 4. Also suggests that consideration be given as to how best to integrate Taiwan into the obligations and responsibilities of an advanced trading partner within the international economic system with particular regard to the mutual observation of internationally accepted agreements regulating fair-trading practices such as the GATT and the ILO;
 5. Asks, in the interests of furthering the reciprocity of trade and industrial contacts to the common benefit, that business and industrial relations should be facilitated and improved by simplifying existing procedures, for example in banking and for travel arrangements;
 6. Instructs its President to forward this resolution and the report of its committee to the Commission, the Council and the governments of the Member States of the Community.

EXPLANATORY STATEMENTI. INTRODUCTION

1. After a turbulent history and a lengthy period of Japanese domination (1895 - 1945), Taiwan was recovered by the Nationalist Government after victory in the Sino-Japanese War (1937-1945). The Nationalist Government took refuge there in 1949.

With an area of 36,182 km² it is slightly larger than Belgium, and has about 18.7 million inhabitants.

2. Taiwan lost its seat in the United Nations on 1971. Most countries in the world have now recognized the People's Republic of China, and Taiwan now has diplomatic relations with only a score or so of countries in the Middle East, Asia, Africa and Latin America. It therefore concentrates on economic relations; according to official statements with over 150 countries, but primarily with its old, and main, ally, the United States, then with Japan and the countries of the Middle East and Europe. Taiwan's substantial development aid effort, especially towards the ACP countries, is particularly noteworthy, as are its close relations with Saudi Arabia and the ASEAN countries, which treat it as practically an associate.

3. With its outstanding economic and commercial development, Taiwan was one of the 17 largest exporters in the world in 1983, its foreign trade amounting to US\$ 45,400 million. However, there are difficulties with trade relations between Taiwan and the EEC Member States, as they also maintain diplomatic relations with the People's Republic of China.

As Peking accepts almost without demur Taiwan's strong economic links with the United States and Japan, one might ask whether the European Community, which looks to foreign trade by inclination and by necessity, can still afford to neglect an importer and exporter so bent on expansion as Taiwan. Thought should be given to ways of improving economic and commercial relations with Taiwan, following the example of other countries which also maintain vigorous trade relations with the People's Republic of China.

4. The rapporteur of the Committee on External Economic Relations therefore intends to outline Taiwan's economic development and then to describe its trade relations with the countries of the European Community and the difficulties that have arisen, and to put forward a number of proposed solutions.

II. ECONOMIC DEVELOPMENT IN TAIWAN

5. After two decades of economic boom, the Taiwanese economy continued to expand in the 70s despite the uncertainty over world economic development. Despite a setback in 1974 after the first oil crisis, annual growth for the period averaged 9.6% in real terms. In 1983, while most countries were undergoing the world recession, Taiwan's growth rate was 7.3%. The figure for 1984 is forecast at 10%.

Year	Average annual growth rate
1953 - 1962	7.5%
1963 - 1972	10.8%
1973	12.8%
1974	1.1%
1975	4.2%
1976	13.5%
1977	9.9%
1978	13.9%
1979	8.1%
1980	6.7%
1981	5.0%
1982	3.8%
1983	7.3%

6. After this rapid development, Taiwan now has the fourth highest per capita income in Asia, after Japan, Singapore and Hong Kong. The 1983 figure was US\$ 2,675, as against 450 in 1960.

Industrial production has risen from 37% of GNP in 1970 to 44.19% in 1983. Since 1961 annual growth in industrial production has averaged 13%, with the help of a great amount of investment especially by expatriate Chinese. Textiles are one of the key industries, Taiwan today being the fifth largest producer of man-made fibre after the United States, Japan, Germany and the Soviet Union. It is also doing very well in electronics, shipbuilding and the iron and steel industry. At Kaohsiung the second largest dry dock in the world has been built by entirely Taiwanese-owned companies, and in 1979 a steel works was completed with an annual capacity of 8.5 million tonnes. Taiwan has some problems with energy, as it has to import 83% of its requirements. Coal and oil production and reserves are small. However, drillings on the coast have offered hope of natural gas supplies.

Taiwan therefore sets great store by nuclear energy. The United States and Canada are helping build the first reactors, while the Member States of the EEC are taking a very close interest in the plans for building its fourth and fifth nuclear power stations.

Although agriculture's share of GNP has been declining, from 16% to 8% since 1970, production has increased in absolute terms: US\$ 3,410 million in 1983 as against US\$ 130 million in 1952. In 1979 the country was 84.2% self-sufficient on average, broken down as follows: 69.9% in cereals, 92.6% in meat-based products, and 124.3% in fish-based products.

7. Taiwan's economic development has also been reflected in the rapid growth of its foreign trade, which has risen in volume from US\$ 2,950 million in 1970 to US\$ 45,400 million in 1983 (in which year exports accounted for US\$ 25,100 million and imports for US\$ 20,300 million). In 1983, textiles accounted for the largest individual share of exports, at US\$ 5,762 million (24%) followed by electrical and electronic equipment

with US\$ 4,618 million (18.4%) and machinery with US\$ 1,900 million (8.5%). The main imports (1981) were oil, US\$ 4,500 million (21%), machinery and tools, US\$ 2,700 million (13%) and electrical equipment, US\$ 2,300 million (11%).

In 1983 Taiwan's five main export markets were (US\$ thousand million), US 11.3, Japan 2.5, Hong Kong 1.6, Federal Republic of Germany 0.85, Saudi Arabia 0.76.

That year the five main suppliers (US\$ thousand million) were Japan 5.6, US 4.6, Kuwait 1.1, Saudi Arabia 1.9, and the Federal Republic of Germany 0.7. It is interesting to note that Taiwan trades intensively but unofficially with the People's Republic of China via Hong Kong, Singapore and Japan¹. The close links with emigrant Chinese in Asia and throughout the world have also been instrumental in Taiwan's economic development.

III. RELATIONS WITH THE EUROPEAN COMMUNITY

8. The European Community has never recognized Taiwan and has therefore never maintained formalized trade relations nor relations using other diplomatic channels. For many years the European Community has governed trade between its Member States and Taiwan by unilateral action on imports without consultation or the exchange of information². Taiwan therefore feels discriminated against particularly by comparison with the countries of Asia, its main competitors. To take just one example, there were the drastic reductions in textile quotas between 1978 and 1981 under the Multifibre Arrangement. Moreover, Taiwan is still excluded from the Generalized System of Preferences³.

In an equally arbitrary fashion, the quotas for tinned mushrooms, which are important to Taiwan, have been reduced from 28,000 tonnes in 1973 to 13,100 tonnes in 1978, to no more than 1,000 tonnes in 1980 and 1,300 tonnes in 1981.

¹ It is thought that in 1981 the People's Republic of China exported goods to the value of DM 170 m approx. to Taiwan, principally medicinal products, delicacies, and Chinese fruit and vegetables. The People's Republic of China imported goods to the value of DM 870 million from Taiwan via Hong Kong, principally man-made fibres, textiles, plastics, electrical and electronic equipment, and specialized machinery.

² United Kingdom, Belgian, French, Dutch, Federal German Republic, Greek, and since 1983, Danish commercial interests are handled by trade representatives in Taiwan.

³ Only recently has discrimination been slightly reduced, the Commission having acted via unofficial contacts with various manufacturers in Taiwan.

9. Without actually asking for the establishment of official relations, Taiwan would like to see the Community take a number of actions which seem possible if it is prepared to be rather more realistic, and which, moreover, should not disturb relations with the People's Republic of China.

The following steps should therefore be taken:

- (1) Unofficial talks when the EEC considers new trade agreements and starts negotiations to that effect with the countries concerned;
- (2) The same treatment as the Far Eastern countries at similar stages of development if the EEC is considering a new trade policy or wishes to change its present trade policy;
- (3) Consideration should be given as to how best to integrate Taiwan into the obligations and responsibilities of an advanced trading partner within the international economic system with particular regard to the mutual observation of internationally accepted agreements regulating fair-trading practices such as the GATT and the ILO¹;
- (4) Wider terms of reference for the present trade representatives of the commercial interests of Member States of the Community in Taiwan and Taiwan's trade offices in the Community;
- (5) Arrangements for the exchange of information involving unofficial contacts and visits by representatives of commercial and industrial interests of Taiwan to the Community and vice versa;
- (6) Improvements to the present travel arrangements between Community countries and Taiwan.

IV. CONCLUSIONS

10. In view of Taiwan's outstanding potential for trade, it can no longer be ignored by the European Community. The Taiwanese market offers great scope for European technology exports, especially in respect of nuclear power station construction, railways, the aircraft industry, chemicals, computers, biotechnology, telecommunications and mechanical engineering, as Taiwan expressly wishes to diversify its trade relations and loosen its close links with the United States and Japan. This would enable other countries, and especially the EEC countries, to reduce their trade deficits with Taiwan.

According to the information available to the rapporteur, Taiwan is prepared to open its markets more to European products², reduce its customs tariffs and liberalize its import arrangements.

¹ Taiwan has concluded such bilateral agreements relating to the tariff results of GATT multilateral relations with the United States and Japan

² Thus in May 1981 an exhibition was organized at which 270 firms, some of them from 7 of the Member States of the Community, demonstrated European products. In September 1984 another such fair was held in Taipei; 246 firms took part representing 13 European countries.

In 1982 duties were cut on 66 products affecting European imports. What is more, the duties applying to another 125 products will be cut in 1985.

Taiwan also takes great exception to the accusations which, it is claimed, are continually, and sometimes excessively, levelled against it, in particular those concerning the counterfeiting and imitating of products.

Taiwan is very sensitive on this matter and has recently adopted a whole series of measures to remedy the situation, in particular:

- changes to the laws against all imitations and counterfeiting, with heavier penalties;
- a publicity campaign in the mass media against all imitations and counterfeiting;
- publication in the newspapers of the names of companies prosecuted and convicted;
- setting up of an ad hoc anti-counterfeiting committee to increase vigilance against the production and sale of copied or counterfeited goods and to place new plans to end these abuses before the competent authorities. A private anti-counterfeiting committee was set up in March 1984, by the National Federation of Industry and the General Chamber of Commerce.

It would seem, according to Taiwan, that these various measures have achieved encouraging results, and have already caused a noticeable decline in the production of copies and counterfeits.

11. The rapporteur believes that, without going as far as diplomatic relations, and while keeping within practical bounds, it should be possible to give Taiwan the position it deserves in our economic and trade relations without damaging our trade relations with the People's Republic of China. Taiwan should not be treated differently from the other emerging countries, provided that it observes its obligations as well as uses its rights in international trade.

The Commission and the governments of the Member States are invited to take the opportunities offered them in Taiwan, in the interests of both sides, and to stop any discrimination against it (such discrimination having become ingrained, in the fixing of quotas for example). The same applies to travel arrangements which, for the sake of increased trade, should be facilitated. Private initiatives, such as the exchange of experts or the organization of fairs and exhibitions, should also be encouraged.

Taiwan is a factor for stability in the Pacific, within the framework of Western cooperation. The European Community must take greater account of this fact, which will not stand in the way of its desire to improve its trade relations with the People's Republic of China.